

PROPOSED MARKETING STRATEGY FOR TELKOM FLEXI TO COMPETE WITH GSM OPERATORS

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Abstract-In Indonesian telecommunication industry, market penetration of FWA (Fixed Wireless Access) based is still about 12% of the total population size. But the market penetration of GSM (Global System for Mobile Communications) based in cellular telecommunication industry has reach 82%. Therefore when the FWA operators in Indonesia want to expand their market, they will have to compete with GSM operators. As market leader of FWA license in Indonesia, it is time for Flexi for extending their network and also targeting new market that were not their target market so far, GSM users. Flexi is a voice and data telecommunications service based on wireless CDMA (Code Division Multiple Access) 2000-1x technology. This is a limited mobility service, meaning that, unlike cellular subscribers, Flexi customers can only use the service within a particular area code. Charges are based on residential telephone (PSTN TELKOM) tariffs. Flexi offers three basic services: voice, SMS and high speed data. This study explores the problem of Flexi In competing with GSM operators using several analyses. The relevant external environment factor that may influence telecommunication industry and Flexi's business is analyzed with Porter's Five Forces model. The company's resources, capabilities and core competencies are determined to identify what company can and cannot do. Then the segmentation, targeting and positioning of Flexi will be analyzed. The perception, motivation, and buying decision of customer is also explored to get insight about why the customers want or don't want to use CDMA Flexi. Finally, the existing marketing strategy (marketing mix) of Flexi is examined to describe the symptoms and errors within it, in order to formulate the root causes. No firm positioning statement, doesn't actively provide handset for its target market, ineffective promotional activities, and low of product knowledge are the root causes of Flexi's low acceptance in the market. Therefore, to overcome those root causes, then formulate a more firm positioning statement and tagline to be more suitable with Flexi's target market, improving product weaknesses, and use a community as marketing campaign media are what Flexi have to do to have a more effective marketing effort. The management should develop promotion strategy which is composed of six elements: advertising, personal selling, sales promotion, direct marketing, internet marketing, and public relations.

Keyword: Marketing Strategy, Marketing Mix, CDMA, GSM
Category : Marketing

1. Introduction

Cellular technology first arrived in Indonesia around 1984 with Nordic Mobile Telephone (NMT) based technology. In 1984 - 1992 mobile phones began to available in Indonesia. In late 1993 PT. Telkom started a pilot project of mobile Global System for Mobile Communications (GSM) type on the island of Batam and Bintan. In 1994 PT Satelit Palapa Indonesia (Satelindo) operated as the first GSM operator, with the operations began in Jakarta and surrounding areas. GSM technology uses a SIM Card, so it is safe from unauthorized reproduction and tapping (used until now).

As the holder of different license (Cellular and FWA), operators also has different rights and responsibilities. However, the reality is forcing them to compete for the same market segment. This condition does not benefit both sides, all the more so for the FWA operators. Tariffs decreased very sharp to make differentiation between cellular and FWA. If left constantly this could suppress FWA operators since they are still at the early stage in developing their brand after they established in

Indonesia. Until recent days, CDMA technology still considered to have lower quality compared to GSM so it was perceived as old-fashioned and cheap technology. Therefore the number of GSM users in Indonesia far exceeded the number of users of CDMA.

Although market penetration of FWA based wireless telecommunication industry in Indonesia still about 12% of the total population size. The GSM based market penetration cellular telecommunication industry has reach 82%. Therefore when the operators of CDMA in Indonesia want to expand their market, they will in directly or not have to compete with GSM operators. As market leader of FWA license in Indonesia, it is time for Flexi for extending their network and also targeting new market that were not their target market so far, GSM users. It is the duty for marketing management to know today firm's business condition, consumers, competitors, and the trend that influence them, so the company able to continue to grab GSM market that has been established earlier.

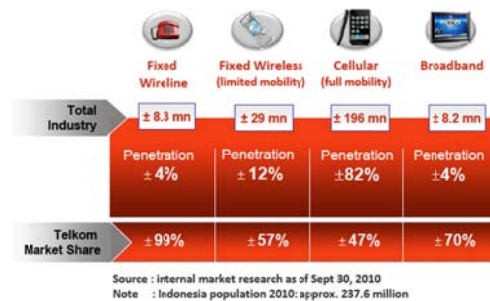


Figure 1 .Mobile Telecommunication Penetrations

In overall market share for telecommunications industry in Indonesia, Flexi captured 8% of total market. It placed Flexi as the fourth largest operator in Indonesia. Compared by other larger GSM competitors, Flexi's market share is relatively small in numbers. With the various advantages of CDMA technology compared to GSM, it is actually very surprising that CDMA can't compete with GSM although GSM had existed beforehand in Indonesia.

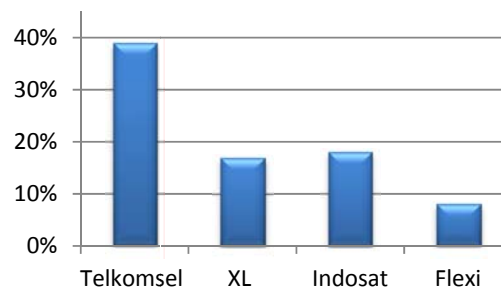


Figure 2. Flexi Market Share among GSM Competitors

2. Business Issue Exploration

The main issue that Flexi currently faces is to compete with GSM based operator in the future. With the penetration of mobile communication almost reached 100% of Indonesian population, Flexi have difficulties in developing the number of users without competing with the GSM operators. Based on this situation, analysis on company internal and external condition, competition and existing customer behavior will be used to explore those issues. The result of those analysis will be generate to create a conclusion of what are the Strength, Weaknesses, Opportunity and Threat possessed by CDMA technology and Flexi itself. To be expected the information generated by this analysis will help to determine the root cause of this problem and the alternative solution which can be implemented by Flexi to compete with GSM based operators.

Conceptual Framework

In Figure 3 are the factors that can affect Flexi to achieve their goal to increase their market share, those factors are, industry situation, Flexi strengths and weaknesses, competitors, customers, and marketing strategy. To better understand how to reach Flexi objectives, this study used a conceptual framework as below:

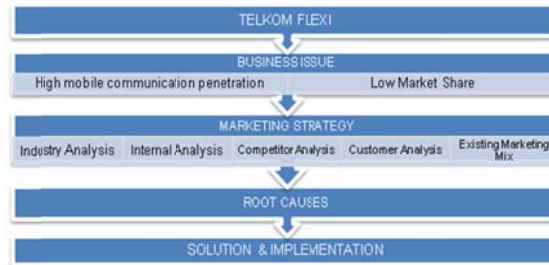


Figure 3 Conceptual Framework

Industry Analysis

Analyzing the mobile telecommunication industry where Flexi currently compete is important to understand the profitability potential within it. We use **Michael Porter's Five Competitive Forces** that impact industry performance in order to analyze the mobile telecommunication industry in Indonesia, and to broadly recognize current and potential competitors.

Those forces are:

1. **Threat of New Entrants** or barriers to entry is a measure of how easy or difficult it is for new entrants to enter into the industry.
2. **Threat of Product Substitutes** are chances of finished goods from outside a given industry that perform similar or the same functions as a product that the industry produces In case of cellular telecommunication, other ways of people to communicate to each other through services companies other than cellular operators.
3. **Bargaining Power of Supplier** the ability of raw material supplier to offer their goods to the company in higher price.
4. **Bargaining Power of Buyer** is the ability of buyers to press the producer to give a lower price for a higher product quality, and greater level of services.
5. **Intensity of Rivalry among Existing Competitors** is the ongoing set of competitive actions and competitive responses that occur among firms as they maneuver for an advantageous market position

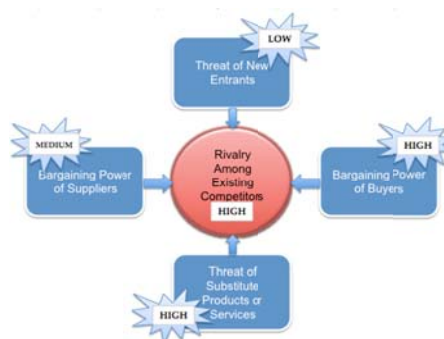


Figure 4. Five Forces Analysis of Mobile Telecommunication Industry

Internal Analysis

The following internal analysis is useful to determine what company can do and cannot do, as an anticipation of opportunities and threats that exist in industry. What it can do is a function of its

resources, capabilities, core competences and competitive advantage. Resources and capabilities both develop core competencies, which then the sources of the company's core competencies. Below, we identify and evaluate PT Telkom Tbk's resources and capabilities in accordance with its Flexi, then using the four criteria to select its core competencies among them. From the selected core competencies, we will know which competencies can generate a sustainable competitive advantage and which can only provide a temporary competitive advantage.

Core Competencies

Core competencies are the source of competitive advantage. However, not every capability is a core competence. Core competencies distinguish a company competitively and reflect its personality (Hitt *et. al.*, 2008). To be a core competence, every capability that has been owned by Flexi must be valuable and rare, and it also has to be costly-to-imitate and non-substitutable by competitors. When capabilities fail to satisfy these criteria, they cannot be a source of sustainable competitive advantage for Flexi over its rivals.

Table 1. Core Competencies of Flexi

Capability or Resource	Four Criteria				Competitive Consequences
	Valuable	Rare	Inimitable	Non Substitutable	
Have the innovative technology so the products will be more diversified and have a better quality and solutions for the customers	Yes	Yes	No	Yes	Sustainable Competitive Advantage
Have a great infrastructure network to support the operations	Yes	Yes	No	Yes	Sustainable Competitive Advantage
Have a good reputation with the customers, and suppliers. A good brand name and a good perception of product quality.	Yes	No	Yes	No	Temporary Competitive Advantage
Flexi is using CDMA technology that has many advantages than GSM.	Yes	No	No	No	Competitive Parity
Have the effective use of the logistics management techniques	Yes	No	No	No	Competitive Parity

Competitor Analysis

There is intense rivalry among companies in mobile telecommunication industry. Therefore, it creates a strong need for the company management to understand their competitors. Competitor analysis is used to help the firms to understand the nature of the competitors and also help them to prepare anticipated response profile for each competitor.

Customer Analysis

Marketing cannot be effective without a good understanding of current customers and moreover the potential customers. The better the Flexi understands its customers, the better it can satisfy the customer needs. However, creating satisfied customers, and thus future sales, requires that customers continue to believe that Flexi can meets their needs and offers superior value than competitors. This requires even greater understanding of consumer needs and wants.

Market Potential

Based on research conducted by Research Company Nielsen in nine cities, including Jakarta, Semarang, Surabaya, Yogyakarta, Medan, Palembang, Makassar and Denpasar, there is a huge potential for teens telecommunication subscriber aged between 15-19 years. Market share of mobile phones among teenagers in those ages reaches 70%. According to the Associate Director-Client Leadership Telecom Practice The Nielson Company, Viraj Juthani, largest mobile users' growth in the last 5 years is in teenagers' age as compared to other groups.



Figure 5. Indonesian Mobile Consumers by Age
(Nielsen, 2011)

Method of Data Collection and Analysis

The study began by conducting literature study and data analysis obtained from internal sources, the expert in telecommunication industry, and interview with respondent. To help us in better understanding on the reason why customers decides to use or not to use CDMA Flexi, we have collected some data using questionnaire method. In this study, the number of respondents who were sampled as many as 434 respondents aimed at respondent who are teenagers and workers with age ranged Between 18 – 50 years old. Analysis of the characteristics of the respondents can be seen in the form of descriptive statistics in the form of pie charts. The data collected from the respondents in this study are grouped into three types of users. The first is the entire respondents. The second is the respondents who use CDMA phones and GSM phones. And the last are respondents who use only GSM phones without using a CDMA phone. The number of respondents who use only a CDMA phone without using GSM phones in the survey that was done very little. Therefore it can be said that in general the CDMA mobile phone users are GSM phone users as well.

Root Causes

There are five root causes that could explain the low demand of Flexi CDMA namely:

1. No firm positioning statement.
2. Target market are not informed about Flexi features and benefits
3. Limited handset option for Flexi users
4. Ineffective promotional activities

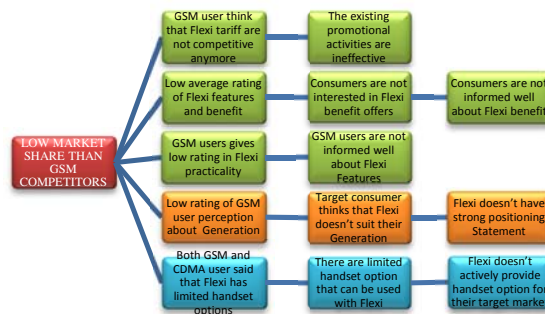


Figure 5. Root Causes of Flexi Problem

3. Business Solution

Later on this chapter, some alternative solutions to overcome each of these root causes that had experienced by Flexi. Each of the alternative solutions will be analyzed and evaluated based on the given advantages and disadvantages to company. Finally, the best alternative solution will be chosen as the final solution to the problem faced by Flexi to compete with GSM operators.

Alternative Business Solution

From the research that has been conducted before the root causes experienced by Flexi mainly occurred in the marketing mix owned by Flexi. Weakness exists in the Product, Pricing, Promotions, and Positioning point. A number of possible alternative solutions that can be used to solve any questions related to each of the root causes will widely and simply be mentioned in this section.

Strategy Analysis

The strategy to be proposed for the company is refined strategy. Refined strategy is the most commonly strategy used and an approach that does not change the essence of the brand, but recognize some weaknesses that need to be fixed and add the power that has owned the brand. (Building Brand, Ltd., 2007) The reason for choosing this strategy is that as a well-established company, Flexi already has the segmenting, targeting, and positioning planned carefully. This can be seen with the change in Flexi brand logo and tagline that expected to increase Flexi acceptance with its target market. In fact it can be said that Flexi already has an appropriate segmenting, targeting, and positioning. However even though Flexi already has Positioning plan doesn't have any firm positioning statement that can emphasize in its marketing strategy. It can be seen from the new Flexi logo that emphasizes flexibility, friendliness, honesty and transparency. Flexi tried to focus their target market at a young age consumers which is the most growing market in Indonesia. But the reality on the ground that happens is the absorption of the product by the consumer Flexi young age is very low. Although Flexi as a market leader in CDMA, but the majority of users are consumers Flexi aged about 25 – 49 years old. This situation is not too good for future growth. This inaccuracy can be caused by lack of maximizing the utilization of marketing communications possessed by Flexi so that the message delivered less accepted by the target market. It can also be caused by weakness owned Flexi products so the target market is having difficulties to accept Flexi product. With a refine strategy, Flexi is expected to eliminate its weaknesses and strengthen its position statement in the minds of potential customer.

Business solutions with refine strategy on this final project include the Flexi marketing communication strategy as an integrated strategy, which the strategies are complementary and support the success of Flexi as a company strategy. Refine strategy proposed above is also expected to resolve matters at the root cause problem of the company. The strategy is mainly focused on fixing Flexi's weaknesses in its marketing mix (4P) and promotion strategies so it can strengthen Flexi segmenting, targeting and positioning statement which will give impact with expectation of Flexi's acceptance by its target market.

Segmenting – Targeting – Positioning

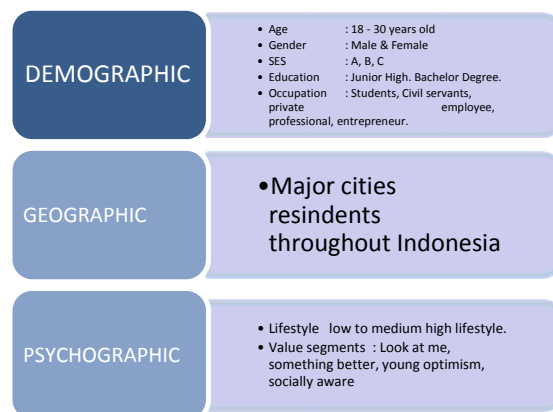


Figure 6. Segmenting of Flexi Potential Customer

In Marketing 3rd Edition book explained *market segment* as a group of customers which share common characteristic and possesses one or more unique features that set it apart from other

groups (Burrow, 2009). Market segment of for Flexi product can be restated into male and female aged 18 to 30 years old, come from low to middle class, educated at least junior high degree, mostly student and worked as civil servants and private employees or entrepreneurs. (Roy Morgan, 2011) Potential customers are mostly from major cities resident market. By this segmentation, Flexi is expected to build an effective integration in marketing communications.

Flexi has to restate their target market so Flexi can make an effective integrated marketing communications. Flexi's target market that researcher try to restate are male and female aged between 18 - 35 years old, student in junior high grade minimum. Still occupied as students, public servants and private employee, and has monthly income between Rp750.000 to Rp5.000.000. Flexi product can be targeted for customers who need a practical, beneficial, reliable and affordable mobile communication service.

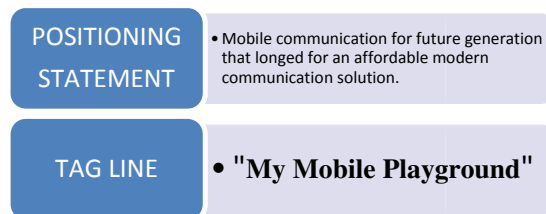


Figure 7. Proposed Positioning Statement for Flexi

Flexi need a new positioning statement. Positioning has come to mean the process by which marketers try to create an image or identity in the minds of their target market for its product, brand, or organization (Ries, A. and Trout J., 1981). This new positioning statement contains some ambiguous words that can be interpreted slightly broader as the "future generation" word where positioning is more aimed at the Flexi target market which is young consumers who need "modern" mobile communication which is a practical, beneficial, reliable and affordable mobile communication. Then the suitable tagline for Flexi is "My Mobile Playground". Value proposition that will give into Flexi's customer with that tagline is flexibility and practical in affordable mobile communication. So the customer can have mobile connectivity without worrying about the cost.

Marketing Mix

On this following sub chapter, will be discussed about marketing mix (4P) proposed that contains of product, price, place and promotion for Flexi. This proposed is the form of additions, improvements, or alteration of the company's current strategy. In this sub-chapter we will not discuss about distribution place in marketing mix because based on research conducted before there are no fundamental weakness found in Flexi distribution channel.

Product

From research conducted, it can be seen that the most desired features by Flexi consumers is the system that governs the use of Flexi Combo so it can be activated automatically. After that, mobile banking is the second most favorable features the want in Flexi. It shows that practicality is still the main desire of consumers to use mobile communication.

- **Impractical Product** - One can be proposed by researcher is a system or a feature where users can save from the beginning a number of area codes of cities that consumers will often visit, then Flexi Combo will start automatically when customers enter the designated area code so that the user can have convenient in using Flexi products. Numbers can be given as a random number so that the features will not conflict with government regulations. Using Flexi combo is expected to run at no charge to the customers so that users no longer need to be bothered with Flexi Combo activation extending procedure.
- **Handset Option** - Unlike its GSM competitors that came with the most up to date premium smart phone bundling. In the table above we can see that Blackberry service are one of the most desired features the consumers want to have. Although Flexi has launched products based on

RIM BlackBerry services, but the availability in the market is still hard to find. Flexi therefore expected to increase consumer choice about the kind of communication services to be used and more diverse selection of handsets. And Flexi has to be more aggressive in introducing premium handsets like Flexi CDMA BlackBerry and CDMA iPhone package to the market

- **Less Complete Features** - one other feature that is highly desirable by consumers is the convenient of banking transactions via mobile phone. The ease of transaction is in the form of a feature provided by the operator called mobile banking. Flexi is expected to make improvements in the M-banking features and also enhance cooperation with other major banks so it will provide choices and convenience in customer financial transactions and bill payments or Flexi pulse recharge becomes easier the resulting with increased Flexi revenue itself.

Price

Researcher strongly recommends Flexi to conduct a further research in the form of mobile communications usage patterns, can be either voice or data communication of its target market. By knowing the usage pattern of Flexi target market, the Flexi can design a more attractive tariff scheme to be offered to the customers. In example; students who only used voice communication with in short period can be offered a tariff scheme that only charges a low fare for a short time voice communication. But Flexi still can grab revenue from the customer's data usage, or vice versa.

Place

Flexi can build some community that brings the customer to the brand. Communities can be formed has to relate with the activities of young customer in accordance with Flexi's target market. There are a number of activities proposed by researchers associated with the trend of young customer today. Those activities are about music and sports. Researchers suggested that flexi focus on one community so that the brand image will be formed consistently with the activity it supports. This activity can make Flexi positioning become increasingly firm.

Promotion

To decide the most appropriate promotional strategies Flexi, target market and positioning are used as based. On the following figure (Figure 8) described the stages of promotional strategy planning, which refers to the target market and positioning strategy of the company, then determine the communication objectives, and determine the role of each component of the promotion program.

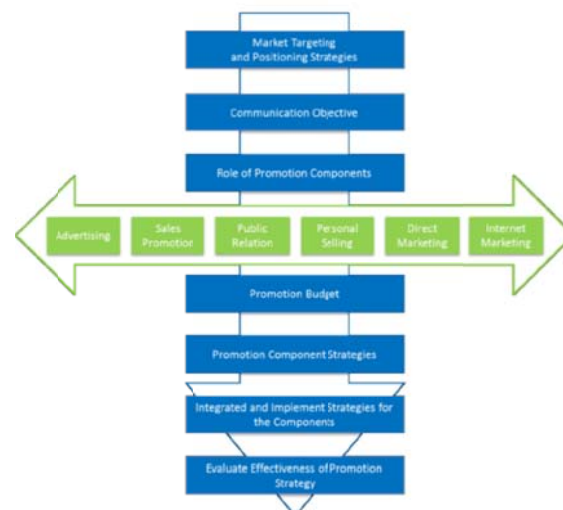


Figure 8. Designing Promotion Strategies
(Cravens, et al., 2009)

Flexi target markets are students and young worker who need a practical, beneficial, reliable and affordable mobile communication service. And the positioning statement for Flexi is "Mobile communication for future generation that longed for an affordable modern communication solution". The marketing communication objectives that Flexi suggested to conduct are aimed to

attract the new potential customer, so they prefer to use Flexi communication services rather than other GSM competitors. Long term objective for this promotional strategies are to make CDMA based communication technology to become more favorable than GSM in Indonesia. With these promotional activities, potential customers expected to have a better knowledge about Flexi products, features, benefits, and advantages so there are no other misperception about Flexi products. Customer also expected to get satisfaction when using Flexi services so it can maintain Flexi customers' loyalty.

Table 2. Role of Promotion Components

Promotion Activities	Role of Promotion Components
Advertising	Giving awareness and information about Flexi products, features, bonuses, and benefits in interesting ways that can attract audience's attention.
Sales Promotion	Activities to boost the usage of Flexi products and build demand about Flexi products to potential customers.
Public Relation	As a source of information in a variety of Flexi marketing activities that emphasis on the increased of audience's knowledge about the benefit and advantages in using Flexi products.
Personal Selling	Increase sales by giving the influence to the consumer to use the Flexi products, especially for potential customers.
Direct Marketing	Improving the relationship between Flexi brand with consumers directly, with the intention to build brand image in consumer mind and also increase sales
Interactive and Internet Marketing	Provides information on the Flexi brand, owned features, products offered, tariff schemes, benefits, and advantages to be gained consumers when using Flexi as a means of cellular communication.

EXHIBIT 1 TIMELINE ACTIVITIES FOR FLEXI STRATEGIES

Activities	2013												2014		
	4	5	6	7	8	9	10	11	12	1	2	3	1	2	3
New Positioning Statement															
Publicity															
Product Development															
New Flexi Combo System Development															
New Flexi Combo System Trial															
New Flexi Combo System Launch															
New M-Banking System Development															
New M-Banking System Trial															
New M-Banking System Launch															
Another major Banks M-Banking system															
Communal Activation															
Event Sponsorship															
Gathering															
Promotional Activities															
Advertising															
TV & Outdoor															
Radio															
Magazines															
Social Media															
Internet															
Sales Promotion															
Trade Show booths															
Sales Agency															
Flexi Center/Plasa Telkom															
Outlets															
Public Relation															
New product press release															
Competition Event															
Official Website															
Celebrity Endorsement															
Trade Exhibition															
Personal Selling															
Outlets															
Sales Agency															
Direct Marketing															
Telkom #147															
Direct Mailing															
Internet Marketing															
Official website e-commerce															
Flexi community forum															

**EXHIBIT 2 BUDGETING OF MARKETING STRATEGY
IMPLEMENTATION (IN MILLION)**

Activities	Budget/month	Duration (month)	Total
New Positioning Statement Publicity	4,000	2	8,000
Communal Activation			
Event Sponsorship	500	10	5,000
Gathering	200	4	800
Promotional Activities			
Advertising			
TV	5000	12	60,000
Radio	500	7	3,500
Magazines	500	7	3,500
Social Media	300	12	3,600
Internet	700	12	8,400
Outdoor	1000	12	12,000
Sales Promotion			
Trade Show booths	3000	4	12,000
Sales Agency	5000	4	20,000
Flexi Center/Plasa Telkom	5000	4	20,000
Outlets	3000	4	12,000
Public Relation			
New product press release	1500	4	6,000
Competition Event	1500	4	6,000
Official Website	150	12	1,800
Celebrity Endorsement	500	7	3,500
Trade Exhibition	1000	1	1,000
Personal Selling			
Outlets	1000	11	11,000
Sales Agency	750	11	8,250
Direct Marketing			
Telkom #147	100	11	1,100
Direct Mailing	20	11	220
Internet Marketing			
Official website e-commerce	100	12	1,200
Flexi community forum	100	12	1,200
		Total	210,070

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